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7 BEFORE THE OFFICE OF THE INSURANCE COMMISSIONER
8 OF THE STATE OF WASHINGTON

9 In the Matter of the Application regarding the
10 Conversion and Acquisition of Control of
11 Premera Blue Cross and its Affiliates.

No. G 02-45

PRE-FILED TESTOMONY OF ROBERT
A. CRITTENDEN, MD, MPH

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- 13 1. I am Robert Crittenden, MD, MPH. I am a past President of the Washington Academy of
14 Family Physicians (WAFP), which is a member of the Premera Watch Coalition and an
15 Intervener in this proceeding. I am the designated lead participant from WAFP in the
16 Premera Watch Coalition. Additionally, I am the Chief of Family Medicine at
17 Harborview Medical Center and President of the Rainier Institute, a non-partisan state
18 policy institute. I have been involved in contracting with health insurers for the past 25
19 years as the Medical Director of a six physician group, as a member of the State of
20 Washington's Public Employees Benefit Board, and as a member of an advisory
21 committee overseeing University of Washington contracting. I have worked closely with
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1 medical practices throughout the state that are attempting to remain solvent in my role in
2 the leadership of the WAFP during the past five years.

- 3 2. WAFP is a membership organization that supports the practices of the 2,500 physicians
4 by education, sharing information and skills, and by representing them on issues
5 impacting its members and their practices. WAFP's members comprise almost all of the
6 family physicians in the state. Many are on private practice, some in Community Health
7 Centers and some in academic and teaching settings. They are geographically spread
8 throughout the state and are in every medical community in the state. Family physicians
9 are the largest specialty organization in the State. They are responsible for more than 25%
10 of all visits to doctors in Washington. They are the backbone of rural health care, care for
11 the underserved, and are the main providers of primary care in the state.
- 12 3. WAFP opposes the proposed conversion of Premera and Premera Blue Cross. To arrive
13 at this position, we consulted with family physicians throughout the state, the House of
14 Delegates of the Academy, and the WAFP Board of Directors. It was the overwhelming
15 opinion of the physicians consulted to take this position.
- 16 4. WAFP represents physicians who contract with Premera. For many physicians
17 particularly in Eastern Washington, Premera is the dominant insurer in the market. Most
18 primary care practices are marginal operations with high overhead and the lowest salaries
19 paid to the physicians of any physician group. If for-profit Premera were to decrease its
20 payments to physicians or withdrawal from certain markets, those changes could
21 materially affect the viability of the family practices serving people in Eastern
22 Washington. Our review of the conversion experience in other states was that rates paid
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1 to primary care doctors could decrease and market areas could contract. In fact, since
2 many of the communities served by Washington State's family physicians are not
3 profitable from a business perspective (that is, many communities have sparse
4 populations, low incomes, high rates of uninsured and present family physicians with a
5 high need to 'cost-shift' from services provided to insured patients), family physicians and
6 rural communities in Eastern Washington are at the highest risk of being cut off from a
7 for-profit Premera's services, especially since a for-profit company has the fiduciary
8 responsibility to its shareholders to put financial performance above community benefit.
9 We are very concerned that not only will the practices be affected, but the communities
10 served by family physicians will be adversely affected.

11 5. People working in family practices value their patients and their communities more than
12 money and convenience. All of them could work many less hours and make much more
13 money by working in other specialties and not doing primary care in their communities.
14 Not only would the changes brought about by a Premera conversion (such as decreased
15 rates and potential withdrawal from certain communities) affect family practices, but also
16 the local hospitals that are the backbone of the community health systems are at risk of
17 failing. The result would place community members at greater risk for worse health
18 outcomes.

19 6. Premera's proposed conversion has already impacted the company's commitment to
20 serving the low-income families in Eastern Washington that are part of its historical
21 mission. Premera, in a move that we believe is part of its conversion plan, has recently
22 announced its intention to pull out of the Medicaid Health Options program and the Basic
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1 Health Plan, which will impact our patients' access to current providers. We are
2 concerned that Premera, as a for-profit company, will make business decisions that
3 increase the number of low-income working parents with inadequate or no health
4 coverage, despite the long standing commitment of at least one of Premera's predecessor
5 corporations, the Medical Services Corporation of Eastern Washington, to serving the
6 needs of that population.

- 7 7. It is clear from our assessment of the proposed conversion that the people of the state -
8 our patients - would be materially worse off if the conversion proceeds. The loss of
9 primary care practices in many communities that would occur if rates paid decrease
10 would significantly harm consumers. Therefore, it is our position that the Commissioner
11 should order a stop to this conversion.
- 12 8. WAFP members are beneficiaries of the nonprofit assets held by Premera, and have a
13 significant interest in how the proceeds from a conversion are protected and dedicated.
14 WAFP members are concerned that the full value of Premera's assets accumulated during
15 nonprofit status be retained for future health care use to address unmet health care needs
16 in Washington State. If the conversion is permitted to proceed, and WAFP hopes that it
17 does not, all the value of nonprofit Premera attributable to Washington State activities
18 must be placed in an independent foundation to support the provision of health services
19 and the improvement of health status of people throughout the state. This foundation
20 should have no connection to Premera and must have an independent board appointed by
21 a neutral party. The foundation should also be accountable to the people of Washington
22 and be representative of its full diversity. Premera's proposed restrictions on the
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1 Foundation, including its plan to be able to sue the Foundation and its grantees for
2 activities that may be "materially adverse" to the operations of health insurers, should be
3 rejected.
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5 I declare under penalty of perjury of the laws of the State of Washington that the
6 foregoing is true and correct.

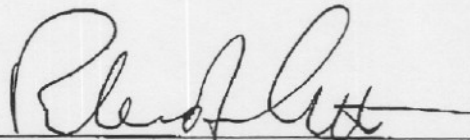
7 Dated this __ day of March 2004, in Seattle, Washington.
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11 ROBERT A. CRITTENDEN, MD, MPH
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5 I declare under penalty of perjury of the laws of the State of Washington that the
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7 Dated this 31 day of March 2004, in Seattle, Washington.
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